

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 AID-05 CEA-01 CIAE-00  
COME-00 EB-08 FRB-03 INR-07 NSAE-00 SP-02 STR-04  
TRSE-00 LAB-04 SIL-01 OMB-01 XMB-02 L-03 H-01  
AGRE-00 /075 W

-----240347Z 068313 /61/47

P R 221211Z MAR 77 CORRECTED COPY FOR MRN  
FM USMISSION EC BRUSSELS  
TO SECSTATE WASHDC PRIORITY 3324  
INFO ALL EC CAPITALS 3310  
AMEMBASSY BERN  
AMEMBASSY OTTAWA  
AMEMBASSY STOCKHOLM  
AMEMBASSY TOKYO  
USMISSION GENEVA PRIORITY  
USMISSION OECD PARIS  
USMISSION NATO

C O N F I D E N T I A L SECTION 01 OF 02 EC BRUSSELS 02744

E.O. 11652: GDS  
TAGS: EAID, EEC, ETRD  
SUBJECT: CIEC - EC HIGH LEVEL GROUP MAKES LITTLE PROGRESS ON  
FINAL CIEC PACKAGE

REF: (A) EC BRUSSELS 2543, (B) STATE 59001  
(C) EC BRUSSELS 2657 (NOTAL), (D) EC BRUSSELS 2447

1. SUMMARY: THE MARCH 18 EC HIGH LEVEL CIEC GROUP REACHED  
NO DECISIONS ON THE COMMISSION PROPOSALS FOR A FINAL CIEC  
PACKAGE. THE UK PUT FORWARD ITS OWN " IMMEDIATE ACTION"  
PROPOSAL AND BRIEFED THE GROUP ON US VIEWS ON THIS AND OTHER  
CIEC ISSUES. THE EC JOINT POSITION FOR THE GENEVA COMMON  
FUND DISCUSSIONS IS UNDER CONSIDERABLE STRAIN, ESPECIALLY  
BECAUSE OF CHARGES THAT THE FRG IS DRAGGING ITS FEET, BUT  
THE EC HAS SO FAR MANAGED TO KEEP ITS UNITY IN TACT.

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EC OFFICIALS HERE CONTINUE TO EXPECT THE APRIL 5 FOREIGN  
MINISTERS COUNCIL TO REACH AGREEMENT ON THE OUTLINES OF  
A CIEC PACKAGE. END SUMMARY.

2. EC PERMDEL, COUNCIL SECRETARIAT AND COMMISSON  
OFFICIALS TELL US THAT THE EC HIGH LEVEL GROUP MEETING  
ON MARCH 18 DISCUSSED THE MAIN CIEC ISSUES. NO DECISIONS

WERE TAKEN ON THE COMMISSION PROPOSALS FOR A FINAL CIEC PACKAGE. (SEE REF. A.) THREE MEMBER STATES--THE FRG, FRANCE AND ITALY--HAVE NOT ACCEPTED THE IDEA OF PROVIDING "IMMEDIATE ACTION" AID TO THE POOREST LDCS. OUR SOURCES BELIEVE, HOWEVER, THAT THE APRIL 5 FOREIGN MINISTERS COUNCIL WILL LIKELY AGREE TO THIS IDEA. THE COUNCIL WILL NEED TO RESOLVE DIFFERENCES OVER THE AMOUNT OF THIS AID AND HOW IT WILL BE SHARED AMONG THE NINE. FRANCE CONTINUES TO MAINTAIN THAT ITS SHARE SHOULD BE REDUCED BECAUSE OF ITS COMMITMENT TO REACH THE 0.7 PERCENT DAC TARGET.

3. UK PROPOSAL: THE UK SUBMITTED AN ALTERNATIVE ONE-SHORT AID PROPOSAL AS FOLLOWS: BEGIN QUOTE: THIS MIGHT TAKE THE FORM OF AN AGREEMENT BY THE INDUSTRIALIZED COUNTRIES, REACHED IN THE LIGHT OF CLARIFICATION DURING THE CIEC OF THE PARTICULAR DIFFICULTIES OF SOME OF THE LLDCS AND MSAS, TO PUT TOGETHER A SPECIAL PACKAGE OF THE ORDER OF \$1 BILLION COMPOSED OF SPECIAL CONTRIBUTIONS TO IDA OR, IN THE CASE OF THOSE PART I DONORS FROM WHOM THIS COURSE PRESENTED PARTICULAR DIFFICULTIES, BILATERAL PROGRAM AID BY PARALLEL ACTION TO IDA BENEFICIARIES EQUIVALENT TO THEIR SHARE OF A \$1 BILLION IDA TRANCHE. END QUOTE.

4. THIS PROPOSAL DIFFERS FROM THE COMMISSION'S ON THE FOLLOWING POINTS: (A) THE TOTAL DEVELOPED COUNTRY AMOUNT WOULD BE \$1 BILLION; THE COMMISSION PROPOSED THAT THE NINE CONTRIBUTE \$1 BILLION AND THE G-8 WOULD PROVIDE A TOTAL OF \$1.8 - \$2  
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BILLION; (B) THE UK SPECIFIES NO TIME PERIOD; THE COMMISSION SUGGESTED THREE YEARS; AND (C) THE UK SUGGESTS A SPECIAL CONTRIBUTION TO IDA AND USING THE IDA KEY TO DETERMINE EACH CONTRIBUTING COUNTRY'S SHARE; THE COMMISSION DOES NOT SPECIFY EITHER THE AID CHANNEL OR THE ALLOCATION KEY.

5. EC OFFICIAL TELS US THAT WHEN BUTLER OF THE UK FCO INTRODUCED THIS PROPOSAL, HE SAID THAT HE HAD DISCUSSED IT WITH US OFFICIALS. THESE OFFICIALS REPORTEDLY THOUGHT THE US MIGHT BE ABLE TO SUPPORT THIS PARTICULAR FORMULATION, BECAUSE IT WOULD ENABLE THE US TO AVOID HAVING TO ASK CONGRESS FOR A SPECIAL IDA CONTRIBUTION. (SEE REF. B.) BUTLER ALSO NOTED THAT THE UK PROPOSAL WOULD TAKE CARE OF THE SPECIAL SWISS PROBLEM (SEE REF. C), BECAUSE THE GOS MIGHT GRANT DEBT RELIEF IN PARALLEL WITH OTHER G-8 AID CONTRIBUTIONS.

6. MEMBER STATE REACTIONS TO THE UK PROPOSAL WERE MIXED.

SEVERAL MEMBER STATES THOUGHT THAT THE G-19 WOULD NOT ACCEPT IT BECAUSE THE AMOUNT WAS TOO SMALL. OUR SOURCES ADD THAT THIS MIGHT BE AN OPENING PROPOSAL AND DURING THE FINAL CIEC NEGOTIATIONS THE AMOUNT MIGHT BE RAISED AS A CONCESSION TO THE G-19. SEVERAL MEMBER STATES ALSO DISAGREED WITH USING THE IDA KEY TO DETERMINE THEIR CONTRIBUTIONS. THE DANES SUGGESTED, FOR EXAMPLE, THAT THE NINE'S SHARE MIGHT BE BASED ON THE EC BUDGET KEY. SEVERAL DELEGATIONS ADDED THAT THE G-19 WOULD INSIST THAT THIS AID BE ADDITIONAL TO CURRENT G-8 ACTIVITIES.

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H-01 AGRE-00 /075 W  
-----221405Z 038873 /47

P R 221211Z MAR 77  
FM USMISSION EC BRUSSELS  
TO SECSTATE WASHDC PRIORITY 3325  
INFO ALL EC CAPITALS 3311  
AMEMBASSY BERN  
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7. OTHER AID: EC OFFICIALS SAY THAT THE MEETING GENERALLY AGREED WITH THE COMMISSION PROPOSALS TO RE-ENFORCE THE TEXTS REGARDING THE 0.7 PERCENT DAC TARGET. MOST MEMBER STATES RECOGNIZED THERE WOULD HAVE TO BE SOME COMMITMENT TO INCREASE AID TRANSFERS OTHER THEMEDIUM-TERM. THE G-8 WOULD ALSO HAVE TO IMPROVE THE QUALITY OF AID. THERE WAS NO AGREEMENT, HOWEVER, ON THE COMMISSION RAW MATERIALS PROPOSALS. THE UK AND FRG REFUSED TO CONSIDER LIFTING THEIR RESERVATIONS TO THE NAIROBI COMMODITY RESOLUTION.

THESE COUNTRIES WERE GAINST INCLUDING THE NAIROBI  
FORMULA ON "PRICE ADAPTATION" IN COMMODITY AGREEMENTS.

8. COMMON FUND: THE GROUP REACHED NO AGREEMENT ON A  
COMPROMISED REGARDING CONSUMER/PRODUCER FINANCING OF  
COMMODITY AGREEMENTS. (SEE REF D.) THE DUTCH, HOW-  
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EVER, CONTINUE TO GO ALONG WITH THE JOINT EC OPENING  
POSITION FOR THE GENEVA COMMON FUND NEGOTIATIONS.  
THERE WAS A SEVERE DISPUTE OVER THE FRG REPORTED  
REFUSAL TO ALLOW THE EC SPOKESMAN TO USE THIS POSITION  
AT HIS TIME. SEVERAL DELEGATIONS CHARGED THE FRG WITH  
WANTING TO USE THE AGREED POSITION AS A "FINAL"  
STATEMENT RATHER THAN AN "OPENING" ONE. FRANCE, AND  
OTHERS, INSISTED ON USING THE AGREED POSITION IN ITS  
ENTIRETY AS SOON AS APPROPRIATE. THIS DISPUTE  
THREATENED TO FRACTURE EC UNITY. ULTIMATELY IT WAS  
AGREED TO HAVE THE NINE'S DELEGATIONS IN GENEVA TO  
RESOLVE THE DISPUTE. EC OFFICIALS SAY THAT FRG  
REPRESENTATIVES IN GENEVA AT THE LAST MINUTE AGREED  
TO COOPERATE ON THIS MATTER.

9. EC OFFICIALS TELL US THAT BUTLER REPORTED TO THE  
GROUP THAT THE US ECONOMIC POLICY GROUP HAD RECENTLY  
AGREED TO SUPPORT A FOURCADE-TYPE COMMON FUND WITH AN  
"OVERDRAFT" FACILITY. BUTLER SUGGESTED THAT THE EC  
SHOULD TAKE THIS INTO ACCOUNT IN DEVELOPING ITS  
POSITION.

10. FRENCH OFFICIALS ADDED THAT IN LIGHT OF US VIEWS  
THE EC SHOULD ACCEPT THE COMMON FUND IN PRINCIPLE AND  
TAKE A POSITIVE ATTITUDE TOWARD "OWN RESOURCES" FOR THE  
FUND. FRENCH OFFICIALS TOLD THE GROUP THAT CIEC SHOULD  
BE THE FORUM FOR SUBSTANTIVE NEGOTIATIONS ON RAW  
MATERIALS ISSUES. THEY ADDED THAT FROM THEIR CONVERSA-  
TIONS WITH US OFFICIALS THEY UNDERSTOOD THAT THE US  
PREFERRED TO PUT FORWARD ITS IDEA OF "AN OVERDRAFT  
FACILITY" IN CIEC RATHER THAN AT GENEVA. THE FRENCH  
REPRESENTATIVE ADDED THAT THE G-8 MUST BE CAREFUL TO  
AVOID HAVING TO PAY SEVERAL TIMES TO END CIEC SUCCESS-  
FULLY. CONCESSION SHOULD NOT BE MADE AT GENEVA WHEN  
THEY COULD BE HELD FOR THE FINAL ROUND OF CIEC  
DISCUSSIONS.  
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11. COMMENT: BUTLER IS TRYING TO CONVERGE US-EC VIEWS ON KEY CIEC ISSUES. ON EACH AGENDA ITEM BUTLER REPORTED ON US VIEWS AND TRIED TO OBTAIN A FORMULATION THAT COULD TAKE THESE VIEWS INTO ACCOUNT. PERMDEL OFFICIALS GENERALLY SUPPORT THESE EFFORTS BUT IN SOME CASES ARE CONCERNED THAT THE BRITISH MAY BE USING THIS TECHNIQUE TO GAIN SUPPORT FOR THEIR OWN POSITION. FOR EXAMPLE, WHEN BUTLER PUT FORWARD THE UK "IMMEDIATE ACTION" PROPOSAL, HE REPORTEDLY INDICATED THAT IT GENERALLY HAD US OFFICIALS' SUPPORT, AND CONSEQUENTLY THE EC SHOULD ACCEPT IT . END COMMENT.

12. STABEX: MEMBER STATES DID NOT DISCUSS IN DETAIL THE FG PROPOSAL TO ESTABLISH A SYSTEM TO STABILIZE LDC EXPORT EARNINGS. THE ITALIAN REPRESENTATIVE, HOWEVER, INDICATED THAT THE GOI OPPOSED THIS PROPOSAL. PERMDEL OFFICIALS HAVE THE IMPRESSION THAT THE UK OPPOSES IT BUT THIS HAS NOT BEEN STATED EXPLICITLY. THE COMMISSION IS EXPECTED TO SUBMIT ITS PROPOSED SYSTEM TO THE APRIL 5 FOREIGN MINISTERS COUNCIL. THE HIGH LEVEL GROUP WILL HOLD A MEETING IN LUXEMBOURG ON APRIL 5 BEFORE THE COUNCIL TO DISCUSS THIS PROPOSAL AND OTHER RAW MATERIAL ISSUES WHICH MIGHT COME OUT OF THE GENEVA NEGOTIATION. THE GROUP WILL ALSO HOLD ANOTHER MEETING ON MARCH 29 TO REVIEW POSITIONS FOR THE FOUR CIEC COMMISSIONS. HINTON

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## Message Attributes

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